

Message Text

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ACTION EB-08

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E.O. 11652: N/A
TAGS: ECRP, EFIN, NL
SUBJECT: CERP 0206: NETHERLANDS STRENGTHENS FINANCING TO BOOST
EXPORTS

REF: A) 76 THE HAGUE 786, B) 77 THE HAGUE A-27

1. CONCERNED THAT THE GAP BETWEEN DUTCH EXPORT GROWTH AND WORLD TRADE GROWTH CONTINUES TO WIDEN, THE ECONOMICS MINISTRY IN MARCH 1978 ANNOUNCED THE ALLOCATION OF AN ADDITIONAL 30 MILLION GUILDERS (2.24 GUILDERS EQUAL \$1.00) TO BOLSTER THE NETHERLANDS COMPETITIVE POSITION THROUGH (1) COLLECTIVE EXPORT PROMOTION OF DUTCH PRODUCTS, (2) A COORDINATED STRATEGY FOR EXPLOITING NEW MARKETS, AND (3) THE FACILITATION OF DUTCH PARTICIPATION IN TURNKEY PROJECTS. CALLS FOR DEPRECIATION OF THE GUILDER HAVE BEEN REJECTED BY THE GOVERNMENT, BUT THE ECONOMIC MINISTRY'S STATE SECRETARY FOR TRADE, KAREL BEYEN, IS STUDYING PLANS TO INTRODUCE MIXED EXPORT CREDITS WITHIN THE FRAMEWORK OF DUTCH DEVELOPMENT AID. (THESE PLANS, IT SHOULD BE NOTED, ARE STRONGLY OPPOSED BY FORMER DEVELOPMENT COOPERATION MINISTER PRONK FOR CONFLICTING WITH LONGSTANDING DUTCH AID POLICY.)

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2. WITH EXPORTS COVERING CLOSE TO 41 PERCENT OF GNP, THE HEALTH OF THE DUTCH ECONOMY HAS ALWAYS BEEN CLOSELY LINKED TO DEVELOPMENTS IN THE COUNTRY'S FOREIGN SECTOR. DUTCH EXPORT GROWTH IN THE PAST HAS TRADITIONALLY KEPT PACE WITH THE GROWTH OF WORLD TRADE, BUT SINCE 1974 IT HAS FALLEN BEHIND. ALTHOUGH TODAY'S EXPORT WEAKNESS CAN BE ATTRIBUTED IN PART TO HIGH DUTCH LABOR COSTS AND THE STRONG GUILDER, STRUCTURAL AND

CYCLICAL CHANGES AT HOME AND ABROAD HAVE ALSO PLAYED A PART.

3. THE DISAPPOINTING DUTCH EXPORT GROWTH PERFORMANCE SINCE 1974 HAS PROMPTED BOTH THE DEN UYL AND THE VAN AGT GOVERNMENTS TO TAKE STEPS TO PROMOTE EXPORTS. IN 1976 A 50 MILLION GUILDER FUND WAS ESTABLISHED TO OFFSET WHAT WAS CALLED "FALSE INTERNATIONAL COMPETITION" IN EXPORT FINANCING (REF A). IN 1977 THE FUND WAS RAISED TO 100 MILLION GUILDERS (REF B) TO BE USED IN COMBINATION WITH A 3.5 BILLION GUILDER EXPORT FINANCING ARRANGEMENT TO MAKE DUTCH EXPORTS COMPETITIVE WITH THOSE OF OTHER OECD COUNTRIES. THE MOST RECENT MEASURES, INTRODUCED BY THE VAN AGT GOVERNMENT, INCLUDE THOSE COVERED IN PARAGRAPH 1.
BROWN

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